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REPORT

TO THE

COMMITTEE ON THE BUDGET

FROM THE

COMMITTEE ON VETERANS' AFFAIRS

SUBMITTED PURSUANT TO SECTION 301 OF THE CONGRESSIONAL BUDGET ACT OF 1974

ON THE

BUDGET PROPOSED FOR FISCAL YEAR 1987

FEBRUARY 27, 1986

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REPORT OF THE COMMITTEE ON VETERANS' AFFAIRS ON BUDGET MATTERS UNDER ITS JURISDICTION

The Committee on Veterans' Affairs is submitting this report on estimates of budget matters under its jurisdiction pursuant to section 301(c) of the Congressional Budget and Impoundment Control Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), which states:

> On or before February 25 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, . . .
>
> (1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and
>
> (2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

This report is based on the best information that is now available to the Committee. It is hoped that the report will be helpful to the Committee on the Budget in preparing its budget targets for the first concurrent resolution.

OBSERVATIONS ON THE FISCAL YEAR 1987 BUDGET

I. OVERVIEW

Throughout the more than 200-year history of the United States, nearly 38.3 million men and women have served in the Armed Forces during wartime. Nearly 1.1 million servicepersons sacrificed their lives in the defense of our country during periods of armed conflict. At the close of fiscal year 1985 there were approximately 22.4 million living war veterans, all of whom saw service in wars fought in the 20th century (i.e., Spanish-American War, World War I, World War II, Korean conflict, and Vietnam era). A total of 35.3 million served during these five wars and 697,000 died in service to their country. In addition to the 22.4 million living war veterans, there were about 3 million veterans who served only during the peacetime period between the Korean conflict and the Vietnam era, as well as 2.0 million peacetime veterans who entered military service after May 7, 1975, and have since returned to civilian life.

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The total number of veterans living in the United States and Puerto Rico has been declining for several years. The number of living veterans decreased during fiscal year 1985 to 27.8 million, a loss of 177,000 from the end of fiscal year 1984. This contraction of the veteran population resulted from the addition of 261,000 service personnel discharged from active duty, and was more than offset by the reentry into active duty service of approximately 25,000 who had previously returned to civilian life and the loss of 413,000 veterans who died during fiscal year 1985.

The median age of all veterans in civilian life as of September 30, 1985 was 52.9 years.

Veterans 65 years of age or older totaled about 5.0 million (or nearly 1 of every 5 living veterans) at the end of September 1985. Their numbers are expected to peak at about 9 million by the year 2000, then decline to some 5.7 million by 2030. By the year 2000, approximately two of every three males 65 and over will be veterans. Those veterans presently 60-64 years old (3,880,000) will enter the older population group in the next five years. Similarly, the surviving veterans among those presently in the 55-59 year age group (3,587,000) will enter the 65 years and older veteran population during fiscal years 1989 through 1994. By the end of fiscal year 1994, nearly one of every three veterans will be 65 years old or older.

While the total number of male veterans continues to decline, the female veteran population is growing. Female veterans in the United States and Puerto Rico totaled 1,168,000 at the close of fiscal year 1985. By the year 2000, their numbers are expected to increase to 1,268,000.

This country has historically provided the veterans of its wars and their survivors with certain aid and benefits in expression of gratitude for their sacrifices and hardships.

In order to effectively carry out the intent of a grateful nation, the VA was established as an independent agency under the President by Executive Order 5398 of July 21, 1930, in accordance with the act of July 3, 1930 (46 Stat. 1016). This act authorized the President to consolidate and coordinate Federal agencies especially created for or concerned with the administration of laws providing benefits to veterans. The mission of the VA is to administer veterans' laws effectively, expeditiously and with sympathetic understanding, and to exercise constructive leadership in the field of veterans' affairs. The laws related to veterans benefits are contained in title 38, U.S.C.

Programs available to veterans and their dependents or survivors (Office of Management and Budget (OMB) function 700), are for the most part based on long traditions of compensating former servicepersons for hardships incurred in the course of military service. Most programs in this function are administered by the VA in support of these former members of the armed services and their survivors and dependents. The major veterans programs discussed below provide benefits that are similar in many respects to other human resource programs now available to those in the general population.

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Compensation. Payment to veterans who have incurred disabilities in military service. Payments vary with the extent of disability and the amount of income foregone because of that disability. The severely disabled also receive fixed statutory awards and dependents' allowances. Dependency and indemnity compensation (DIC) is paid to survivors of veterans who died from service-connected causes.

Pensions. Payment to non-service-connected disabled and aged wartime veterans and their dependents or to their survivors if the recipients' income falls below certain levels. However, there are several income exclusions in determining eligibility for pensions.

Readjustment benefits. Financial assistance for education, training, and rehabilitation to veterans and to certain of their dependents or survivors.

Hospital and medical care. Provided, usually in VA facilities, to service-connected disabled veterans, former prisoners of war, veterans exposed to Agent Orange and/or nuclear radiation, veteran pensioners, veterans 65 and over, and any other veterans who are unable to pay for the cost of care. Dependents of 100 percent service-connected disabled veterans and survivors of veterans who died from a service-connected disability are provided care through an insurance type program administered for the VA by the Department of Defense, the Civilian Health and Medical Program of the Veteran's Administration (CHAMPVA).

Other veterans' programs. Include direct and guaranteed housing loans, life insurance, and burial benefits. The VA also operates programs such as research and health manpower training to support its medical care delivery system.

II. ANALYSIS OF THE PRESIDENT'S BUDGET REQUEST

The President's fiscal year 1987 budget for the VA provides for benefits and services to the country's 27.8 million veterans, the 49.3 million members of their families, and the 2.1 million survivors of deceased veterans. 79.3 million or 33.3% of the nation's total population are potential recipients of veterans' benefits.

The budget provides information concerning the impact of the effects of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), commonly known as the Gramm-Rudman-Hollings bill. This legislation is designed to reduce the Federal deficit by decreasing each annual deficit beginning in 1986 until the Federal budget is balanced in 1991. The Veterans' Administration's share of the mandated reductions for 1986 is $196.5 million in outlays and $234.1 million in budget authority.

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For the period October 1, 1986 through September 30, 1987, budget authority of $26.6 billion is requested, consisting of appropriations of $25.6 billion, $174.9 million for proposed legislation and an estimate of $801 million through permanent authorizations. Budget outlays for FY 1987 are estimated at $26.4 billion. The requested budget authority is a decrease of $408.4 million below FY 1986, caused primarily by reductions in: workload in the Compensation, Pension and Readjustment Benefits programs; obligations and receipts in the Loan Guaranty Revolving Fund; staff in the Medical Care program; and, the number of projects in the construction program. 58.9 percent of the fiscal year 1987 budget's projected outlays ($15.1 billion) are for benefit programs. The fiscal year 1987 budget requests $10.4 billion for the compensation program which is $64.6 million lower than the FY 1986 request of $10.5 billion. The budget includes a proposed 3.7 percent rate increase effective December 1986. $3.8 billion is requested for pensions, a decrease of $10.0 million from the fiscal year 1986 level, which includes a 3.7 percent cost-of-living increase effective December 1, 1986. $741.1 million is requested for readjustment benefits, which is $136.4 million less than the fiscal year 1986 level. The decrease is caused by a reduction in the number of Vietnam era trainees. No funds are requested for the Emergency Veterans' Job Training program. The fiscal year 1987 Budget requests no funds for the Loan Guaranty program. The obligations of $2.6 billion for the Loan Guaranty program will be partially funded by offsetting collections of $2.4 billion, an increase of $140 million over fiscal year 1986, and a transfer of $125 million from the Direct Loan Revolving Fund. Legislation will be proposed by the President to incrementally increase the user fee from 1 percent to 2 percent in FY 1987; 2.5 percent in 1988; 3 percent in 1989; and remain at 3.8 percent for fiscal years 1990, 1991 and thereafter on both guaranteed and vendee (direct) loans. $9.1 billion is requested for medical programs, a decrease of $46.2 million below the FY 1986 level; employment is 7,542 below the FY 1986 level; $408.2 million is requested for construction programs which is a reduction of $208 million from fiscal year 1986; and, $762.6 million is requested for General Operating Expenses.

Veterans' Administration average employment is projected to decrease by 7,557 to a level of 213,338 in fiscal year 1987 under the proposed budget. The employment levels for 1985, 1986, and 1987 are as follows:

1985:
Presidential request.....223,296
VA actual.....222,811

1986:
VA estimated.....220,895

1987:
VA estimated.....213,338

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A. BENEFITS AND ADMINISTRATION

1. Income security for veterans

For the sixth year, the Administration proposes dividing the Compensation and Pensions appropriations into three separate appropriation accounts--Compensation, Pensions, and Burial Benefits and Miscellaneous Assistance. The Administration believes this structure would achieve a more informative presentation of the budgetary requirements for these major benefit programs, and that adoption of this new appropriation structure would more closely correspond to a government-wide functional program classification and facilitate program presentation. The Committee on Appropriations does not agree.

In fiscal year 1987, it is estimated that 2.22 million veterans with service-connected disabilities will receive monthly compensation under existing legislation totaling $8.3 billion. Approximately 325,700 survivors of veterans whose deaths were service-connected or related to service-connected disabilities will receive an additional $2.1 billion. The total compensation requirement is $10.4 billion. For fiscal year 1987, legislation is proposed by the Administration for a 3.7 percent cost-of-living increase in compensation payments effective December 1, 1986, at a cost of $305.5 million. This will bring total compensation payments for fiscal year 1987 to $10.7 billion.

Approximately 634,440 veterans and 634,340 survivors will receive monthly pensions totaling $3.8 billion in 1987. Pension payments are based upon financial need, and this estimate includes a cost-of-living adjustment of 3.7 percent effective December 1, 1986, at a cost of $111.9 million.

The life insurance programs administered by the VA will provide coverage of $146.6 billion for 7.3 million servicepersons and veterans in fiscal year 1987.

2. Administration

a. General. The General Operating Expenses (GOE) account primarily supports payroll expenses of personnel responsible for administering non-medical benefits to the veteran population. These benefits include the administration of VA compensation, pension, education, GI loan, and insurance programs, the Board of Veterans' Appeals, Inspector General, other non-medical elements of Central Office as well as maintenance of the national cemetery system. The budget request is $762.6 million in budget authority for fiscal year 1987, which is $49.7 million higher than last year.

The GOE appropriation request is 36 FTEE above the 1986 estimate. The budget request anticipates the closing of two data processing centers and a communications center.

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b. Department of Veterans' Benefits. Compensation and pension claims within the Department are expected to decrease by 117,190. The number of education trainees is expected to continue to decrease significantly. The budget provides for an increase of 21 FTEE for the vocational rehabilitation and counseling service due to implementation of Public Law 98-543. This law will generate increased activity in the chapter 31 vocational training program for service-connected veterans, as will the newly authorized vocational training program for certain non-service-connected disabled veterans under age 50 and in receipt of pension. Loan guaranty activity is expected to increase significantly. The insurance activity expects an increase in the number of death claims to offset the small decrease in policy service actions.

Beginning in fiscal year 1987, the Administration proposes to transfer the insurance activity at the St. Paul, Minnesota Insurance Center to the Philadelphia, Pa. Insurance Center. The President's budget contained this proposal and the Committee was notified by letter from the Acting Administrator of the details of the planned move. The Acting Administrator reports that the results of a cost-benefits analysis shows an estimated savings of $1.29 million per year, primarily through the elimination of 38 clerical and supervisory positions.

The Acting Administrator states the overwhelming majority of insurance transactions are accomplished by mail or by telephone contacts and that service to policyholders and beneficiaries will not be adversely affected by consolidating the Insurance Activity into the Philadelphia Office. He states the consolidation of all Insurance functions at the Philadelphia Insurance Center will help the Veterans' Administration meet its goal of providing quality service to veterans and their beneficiaries at the lowest possible cost to the taxpayers.

3. Veterans' education, training and rehabilitation

The VA administers five education, training and rehabilitation programs for veterans and their dependents. The largest of these programs is the GI Bill for persons who served on active duty during the Vietnam era. The number of Vietnam era veterans in this program is expected to continue to decrease as more veterans reach their delimiting date, generally 10 years following date of discharge or separation from the Armed Forces. Total GI Bill trainees in 1987 are estimated at 252,200 -- a decrease of 68,900 from 1986.

The Post-Vietnam Era Veterans Educational Assistance Program (VEAP) is a voluntary contributory matching program for persons who entered the Armed Forces on or after January 1, 1977. The number of active duty serviceperson participants in fiscal year 1987 is estimated to be 420,775, a decrease of 82,000 from 1986. Approximately 67,300 are estimated to participate in training under this program, an increase of 5,900 over fiscal year 1986. It is also anticipated that the number of disenrollments in this program will decrease by 33,000 from fiscal year 1986. As authorized by P.L. 98-525, no new enrollments into this program are permitted during the period beginning on July 1, 1985 and ending on June 30, 1988.

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The number of trainees in the education and training program for spouses and children of veterans with a permanent and total service-connected disability or the spouses and children of veterans who died of a service-connected disability is estimated to be approximately 42,400, a decline of 9,400 from fiscal year 1986.

Vocational rehabilitation for service connected disabled veterans whose disabilities resulted in a vocational handicap is the oldest education and training program administered by the VA. This is a continuous, open-ended program which includes the payment of a monthly subsistence allowance, plus educational expenses, to eligible veterans who need this special assistance. It is estimated that 25,500 veterans will receive training under this program in fiscal year 1987, a decline of 500 from fiscal year 1986.

Public Law 98-77, the "Emergency Veterans' Job Training Act of 1983," established an innovative program of job training assistance for unemployed Vietnam era and Korean Conflict veterans. Public Law 99-238 extended the deadline for application for participation under this program to January 31, 1987, liberalized eligibility, and authorized $65 million for fiscal year 1986. Since the Committee expects these FY '86 funds to be appropriated supplementally, there will be no additional cost in fiscal year 1987.

On October 24, 1984, the President signed into law the Veterans' Benefits Improvement Act of 1984, Public Law 98-543. Title III of this law created a three year pilot program to provide an incentive and the opportunity for vocational counseling and training under Chapter 31 for any service-connected veteran receiving compensation based on a rating of individual unemployability.

Section 301 of Public Law 98-543 established a 3 year pilot program to make vocational training available to certain veterans under age 50 who are awarded pension on or after February 1, 1985. The purpose of this provision is to provide vocational training to wartime veterans who have become disabled after separation from service.

Further demands will be made on the Vocational Rehabilitation and Counseling Service by eligible veterans seeking professional vocational counseling under Public Laws 98-77 and 98-543. The Committee supports the Administration's request for an increase of 21 FTEE for the Vocational Rehabilitation and Counseling Service due to the increased activity generated by these programs. In fact, the test of the pilot programs established under Public Law 98-543 will not be viewed as accurate and informative unless the additional FTEE are provided.

Title VII of Public Law 98-525 established a New GI Bill, Chapter 30, the All-Volunteer Force Educational Assistance Program. The President has recommended in his budget proposal that this program be terminated for new enrollments effective October 1, 1986 and the Veterans Educational Assistance Program (VEAP) be reopened. It is also proposed to close enrollment for the peacetime Reservists education program effective October 1, 1986.

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This Committee believes it is shortsighted and unwise to suggest prematurely cancelling the New GI Bill. The Services are already experiencing impressive gains in recruitment and retention due to the availability of this new educational assistance program. A reversion to VEAP would result in a significant decrease in the number of high quality young people entering the military, thus resulting in higher recruitment and training costs. Additionally, the termination of this program before the end of the three year test period will cause serious confusion and chaos both within the military and the general public.

This Committee has no intention of considering legislation to terminate the New GI Bill. Rather, the Committee proposes to enhance the new program in order to maximize its effectiveness during the 3-year test period. Testimony presented during hearings held last fall included recommendations for minor changes in the New GI Bill which will ensure that the test period for this program will realistically reflect its impact on the All Volunteer Force. These provisions will result in very little actual additional cost in fiscal year 1987.

The Administration has again proposed to repeal the authority that permits the VA to make education loans, which would result in an estimated savings of $44,000 in fiscal year 1987. This program is available only for post-delimiting date loans under title 38, U.S.C., chapters 34 and 35, and flight training for enrollments under chapter 34. The Committee rejected this Administration proposal in fiscal years 1985 and 1986 and rejects it again for fiscal year 1987.

4. Veterans' Housing

The Loan Guaranty Program provides housing credit assistance to eligible veterans and service personnel through guarantees of loans made by private lenders and through direct loans to severely disabled veterans on more liberal terms than generally available to non-veterans, without the assumption of undue risks by the Government.

The loan guaranty revolving fund finances the operation of the Loan Guaranty Program, excluding administrative costs. The guarantee may be applied to buying, building or repairing a home, condominium or manufactured housing unit.

Assistance is provided chiefly through substituting the Government's guaranty on loans in lieu of the substantial downpayments, relatively short terms, and other investment safeguards applicable to conventional mortgage transactions. The program also assists certain totally disabled veterans in receiving specially adapted housing grants.

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During fiscal year 1985, 178,931 loans were guaranteed which represented a slight decrease over the past year's activity. Since VA interest rates are at their lowest point in the last six years, the VA loan volume is expected to escalate dramatically in fiscal year 1986. According to the VA's latest estimate, more than 270,000 loans will be guaranteed this fiscal year.

Cumulatively, since the inception of the program, through September 30, 1985, 11,933,387 loans totaling $244 billion have been made or guaranteed to purchase conventional housing, condominiums and manufactured housing units. In addition, 19,230 severely disabled veterans have obtained $56.4 million in approved grants to purchase housing especially adapted to their needs.

Since the inception of the program, 484,782 foreclosure claims have been settled. Incident to those claims, and as a result of foreclosures of direct loans, 509,865 of these properties have been sold. In addition, 5,998 properties were redeemed.

Defaults on GI loans are expected to decline from the high levels of the last few years. Collections are projected to be $139.5 million more than in fiscal year 1986, due to increased vendee loan sales and cash sale of properties and funding fees. An appropriation is not requested in FY '87 because of an anticipated $125 million transfer being available from the Direct Loan Revolving Fund and a projected increase of $139.5 million in offsetting collections. The $1,131.9 million net profit existing in the Loan Guaranty Fund at the close of fiscal year 1985 is the net amount to date, exclusive of administrative expenses.

The Loan Guaranty portion of the GOE account is increased in fiscal year 1987 budget by 68 FTEE for an increase of $3 million. This increase is needed to support increasing operation requirements in home loan activity workloads.

The fiscal year 1987 budget proposes an incremental increase in loan origination fees on guaranteed and vendee (direct) loans. The fee would increase from 1 percent to 2 percent in fiscal year 1987; 2.5 percent in fiscal year 1988; 3 percent in fiscal year 1989; and remain constant at 3.8 percent for fiscal years 1990, 1991 and thereafter. The increased revenue is expected to reduce outlays in fiscal year 1987 by $131.8 million.

The fiscal year 1986 budget contained a similar proposal but would have increased the fee from 1 to 5 percent. The VA Administrator, at Committee Budget hearings, characterized his endorsement as "reluctant" and urged caution. CBO estimated that the net impact of these changes would have been outlays of the Loan Guaranty Revolving Fund in FY 1990 that are actually higher than would have been expected under current law. Accordingly, the Committee recommended that the 1 percent user fee be retained. The Committee maintains the same position this year. Even without enactment of an increased user fee, no appropriation will be necessary to operate the VA Home Loan Guaranty Program.

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5. Burial Benefits

The burial benefits program provides for: (a) the payment of an allowance of $300 (plus transportation charges where death occurs under VA care) to reimburse in part, the burial and funeral expenses of an eligible deceased veteran; (b) the payment of an allowance of $150 for a plot when an eligible veteran is not buried in a national cemetery or other cemetery under the jurisdiction of the United States; (c) the payment of a burial allowance up to $1,100 when a veteran dies as the result of service-connected disability; (d) a flag to drape the casket of each deceased veteran entitled thereto; (e) a headstone or marker for the grave of the veteran and in certain cases eligible dependents or; (f) provide an allowance towards the headstone purchase.

In fiscal year 1985, the Veterans' Administration provided payments for 123,523 non-service-connected burial allowances at a cost of $44.4 million; 305,326 plot allowances totaling $45.2 million; and burial benefits for 8,748 service-connected deaths at a cost of $8.8 million. In addition, 340,592 burial flags were issued at a cost of $14.9 million; and 52,196 gravemarker allowances were paid at a cost of $3.5 million.

In fiscal year 1986, claims for burial allowances are projected to be 129,200, while burial plot claims will increase to 315,000. The fiscal year 1987 projection for burial allowances is 124,500 and 320,000 for burial plots. These increases are the result of a higher death rate in the aging veteran population.

Legislation is proposed by the Administration to make the eligibility requirements for the burial plot allowance the same as those for the basic burial allowance; that is, limit eligibility to veterans with a service-connected disability, veterans in receipt of pension, and certain other limited categories of wartime veterans. It is estimated that the savings from this proposal will be $31.2 million in fiscal year 1987.

In the fiscal year 1982 budget, when the Administration proposed to restrict eligibility requirements for the basic $300 burial plot allowance, the Committee was advised that the Administration was not seeking the same restriction for the plot allowance. The Committee was advised that requiring the death certificates to accompany the applications for the plot allowance was the only way the Government could collect all veterans death certificates, thus using them for research and census statistics. The Committee concurred with this rationale. Additionally, the non-payment of this benefit to the state veterans' cemeteries would violate the contracts made by the Government to individual states which have established state veterans' cemeteries under the State Matching Grant Program. It should be emphasized that the State Cemetery Grants Program was an Administration initiative designed to complement the National Cemetery System, and make it possible for every veteran who so desires to be buried with his comrades-in-arms in a cemetery in his home state.

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6. Department of Memorial Affairs

The Department of Memorial Affairs has a threefold mission: first, to provide, upon request, for the interment in any national cemetery with available grave space the remains of eligible deceased servicepersons and discharged veterans (together with their spouses and certain dependents) and to permanently maintain these graves; second, to mark graves of eligible persons in national and private cemeteries, upon proper application; and third to administer the Grant Program for aid to states in establishing, expanding or improving State Veterans' Cemeteries.

A total of 143 cemeterial installations and activities are now included in the National Cemetery System, located in 42 states, the District of Columbia and Puerto Rico. The existing 143 cemeterial activities total 9,812 acres. Since the establishment of the National Cemetery System in the Veterans' Administration in 1973, approximately 492,500 decedents have been interred in national cemeteries. During the same period, approximately 3.1 million headstones and markers have been furnished.

For fiscal year 1987, the Department employment budget is expected to total 1,189 average employment with 160 in Central Office and 1,029 located in the field. The fiscal year 1987 funding represents a net increase of $2.3 million over 1986. The additional resources are requested to support 13 FTEE necessary due to increasing operational requirements in cemeterial and interment workloads, as well as for purchase of needed equipment and accomplishment of maintenance and repair projects at national cemeteries.

In fiscal year 1985, a total of 50,489 remains of veterans, active duty personnel and dependents were interred in national cemeteries. The fiscal year 1987 interment projection is 54,500, an increase of 1,500 over the fiscal year 1986 estimate of 53,000. A total of 287,659 headstone applications were processed in 1985 and the estimates for fiscal years 1986 and 1987 are 300,000 and 308,900 respectively.

The budget also includes start-up costs for opening the new national cemetery in Florida in early fiscal year 1988.

B. DEPARTMENT OF MEDICINE AND SURGERY

In reports to the Committee on the Budget for fiscal years 1985 and 1986, the Committee noted that the VA's Department of Medicine and Surgery was at a crossroads in terms of fulfilling its mission of providing quality health care to our Nation's veterans. That is also true for fiscal year 1987, and the pressure on the VA medical care system is even greater. Of particular significance is the rapid growth of the aging veteran population. Substantial information concerning the magnitude of the need for health care services by age 65 and older veterans was projected in the fall of 1984 in the VA's report, "Caring for the Older Veteran". Survey data that formed the basis for the report indicated that there were 3.0 million veterans over age 65 in 1980 (15 percent of the veteran population); that there would be 7.2 million in that age group in 1990; and that the number would peak at 9.0 million in the year 2000. The Committee again notes that it is patently obvious that resources must increase over the next 20 years to meet the anticipated demand for services by this aging veteran population.

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It is important to recognize the anticipated demand from aging veterans will be levied on a VA medical care system which already is turning away each month over 35,000 non-service-connected veterans needing care, according to the VA's "1985 Survey of Veterans Demand for Medical Care at VA Facilities". The survey, provided to the Committee on February 5, 1986, found that 7.6 percent of valid applicants requiring care during the survey time period could not be given it; 11 percent of valid telephone requests for transfers from non-VA to VA care could not be accepted; and 2.4 percent of the outpatients requiring further medical care were discharged. In addition, the average waiting time for a clinic appointment for a new patient was 28.8 days, while 19 percent of all clinics had a waiting time of greater than 45 days and 5 percent were not accepting new patients at all.

The disparity between the mission of the VA and the resources available to fulfill it is further complicated by the age and distribution of VA medical facilities. According to a VA survey of facilities in 1981, 53 percent of VA beds were in VA hospitals over 30 years old. Simple maintenance of such aging facilities, not even considering modernization for patient safety and privacy and for the installation of state-of-the-art medical equipment -- requires increased resources. Another serious problem for the VA in meeting its mission is the changing geographic distribution of the veteran population with migration to the "sun belt" states. The resulting shifts in demand for medical care overwhelms facilities in the southern part of the country yielding inconsistent access to VA medical care for eligible veterans. The situation of scarce VA nursing homes and other long-term care facilities in these Southern states -- and other states as well -- is heightened by the few vacancies in community and state home facilities.

The Committee is greatly concerned that the budget proposed for fiscal year 1987 appears to ignore, if not refute, salient facts of veteran demographics and health care needs and VA resources to meet those needs. Specifically, the Committee has the following major concerns.

The proposed fiscal year 1987 budget calls for a decrease of $46,154,000 from fiscal year 1986, for a total of $9.084 billion in budget authority. When the decrease resulting from sequestration under P. L. 99-177 (the Balanced Budget and Emergency Deficit Control Act of 1985) is taken into account, the result is a decrease of $163.7 million from the amount originally available in fiscal year 1986.

In order to achieve the reduction proposed for fiscal year 1987, the budget proposes, among other things, to reduce the amount of VA care delivered by 62,000 inpatients and 1,254,000 outpatient visits. The total reduction is $503,691 million with an FTEE reduction of 8,927. The result, as stated in the budget documents, is that ". . . fewer veterans with no service-connected disability and who are not in receipt of VA pension benefits will be provided care." The veterans who would no longer receive care would, in part, be determined by the imposition of the same means test that was offered last year and rejected by the the Congress in favor of a more equitable plan." Other veterans who would no longer receive care would be determined by the capacity of the VA facility at which care was sought.

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In contrast with the proposed arbitrary attempt to reduce the amount of care to be delivered by the VA, the Committee views caring for veterans, including elderly veterans, in more optimistic terms. If the population of eligible veterans were clearly defined, and if the Administrator were required to provide needed health care services to a precisely defined group, a more rational process of planning for VA health care, for budgeting for VA health care and, thus, for receiving care would ensue. If enacted, the Committee bill reported out last year would accomplish this goal. The Committee believes that instead of trying to shrink the pool of eligible veterans without any mandate to provide care for those veterans who remain eligible, the Federal government should clearly identify those veterans who, as a matter of policy, should receive health care, and mandate that they be provided care in VA facilities.

Generally, the conference agreement, negotiated as part of the conference on H.R. 3128, as amended, regarding VA health care eligibility would require that the Veterans' Administration provide hospital care to the following veterans when it is determined to be necessary: veterans for service-connected disabilities, veterans discharged for a disability incurred or aggravated in the line of duty, veterans entitled to receive disability compensation rated at 50 percent or greater, veterans entitled to receive disability compensation rated at less than 50 percent, former POW's, veterans exposed to certain herbicides and ionizing radiation, World War I veterans, veterans drawing pension benefits, and any veteran with one dependent whose income does not exceed $18,000 (or $15,000 for veterans with no dependents) plus $1,000 for each additional dependent. It would allow the Veterans' Adminstration to provide hospital care to veterans with incomes in excess of the above amounts with two requirements. First, space and resources must be available at the VA facility and, second, veterans with income greater than $25,000 with one dependent (or $20,000 with no dependents) plus $1,000 for each additional dependent must agree to make certain payments in connection with receipt of care. The conference agreement would make no change in current law with regard to eligibility for nursing home care and outpatient care except that non-service-connected veterans with incomes greater than $25,000 with one dependent (or $20,000 with no dependents) plus $1,000 for each additional dependent would be required to agree to make certain payments in connection with receiving care. No change is made with respect to domiciliary care.

The proposed reduction for fiscal year 1987 in the amount of care delivered, particularly in the absence of precisely defined eligibility, is considered by the Committee to be imprudent in view of the aging veteran population and the current inability of the VA to meet valid demand for medical care. As stated in the documents of the proposed budget, "VA users have lower incomes, are more often not married, are generally older, are more often disabled and are more often members of minority groups."

The Committee is recommending a restoration of the funds and personnel necessary to maintain a current services level in the VA health care system. This recommendation includes funds to maintain the fiscal year 1986 appropriated staff level of 193,941 FTEE in the medical care account.

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The Administration's proposed budget would reduce funding for medical facility construction by approximately 41 percent from the fiscal year 1986 budget, a decrease of $208.4 million ($184 million in major projects and $24 million in minor projects). No new independent nursing home projects are being requested in the budget while the VA's five-year construction plan calls for four nursing homes for this fiscal year. Anticipated need for such facilities from aging veterans and problems in the distribution and availability of all nursing home beds are evidence for how seriously flawed and ill-advised is the proposed dependence on alternative sources of nursing home beds such as community nursing homes and conversion of hospital beds. The proposed conversion of 59 beds system-wide is far too few to constitute a real alternative. The funds for site acquisition of a hospital at Palm Beach, Florida, and design funds for the sorely-needed replacement medical center for the Aspinwall Division of the Pittsburgh VA Medical Center -- both of which are scheduled for fiscal year 1987 funding in the VA five-year medical construction plan -- are also not included in the proposed budget request.

The Committee is recommending the inclusion of funds for site acquisition of the Palm Beach hospital ($6 million), design funds for VAMC Pittsburgh (Aspinwall Division) ($5.3 million), and the nursing home construction projects for Hampton, Virginia, ($5.7 million) and Tampa, Florida, ($6 million) in this budget. The Committee is also recommending that certain land at VAMC West Los Angeles, California, and VAMC Sepulveda, California, not be declared excess to the needs of the Veterans' Administration.

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III. VETERANS' BENEFITS AND SERVICES AS A PART OF THE TOTAL FEDERAL BUDGET

The following table indicates total federal outlays, veterans' benefits and services outlays (function 700) and the percentage for benefits and services for fiscal years 1976 through 1986.

Total Federal Outlays and Veterans' Benefits and Services Outlays
Fiscal Years 1977 - 1987

(In millions of dollars)

Fiscal Year	Total Federal Outlays	Veterans' Benefits and Service	Veterans as Percent of Outlays
1977	409,203	18,038	4.4
1978	458,729	18,978	4.1
1979	503,464	19,931	4.0
1980	590,920	21,185	3.6
1981	678,209	22,991	3.4
1982	745,706	23,958	3.2
1983	808,327	24,846	3.1
1984	851,781	25,614	3.0
1985	946,323	26,352	2.8
1986 (est.)	979,928	26,619	2.7
1987 (est.)	994,002	26,420	2.7

Source: Budget of the United States Government for Fiscal Year 1987, table 18.

The above table indicates that in 1977 the percentage of total Federal outlays spent on veterans' benefits and services was 4.4 percent. Since that time, there has been a steady decrease, with an estimate for fiscal year 1987 of 2.7 percent.

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From 1950 to the present, the veteran population has increased by approximately 18.5 million to nearly 28.0 million. Two major GI bill programs educated millions of veterans. Twenty-two major veterans' health care measures were approved by the Congress, and 29 hospitals were added to the VA hospital system. Federal outlays for veterans' benefits and services have increased only by a ratio of 3 to 1 compared to 272 to 1 for Social Security; 131 to 1 for health; 114 to 1 for education, training, employment and social services; and 29 to 1 for income security. Outlays for Medicare are 11 times the amount in FY 1970.

Federal Outlays for Human Resources Programs
Selected Years 1950 - 1987

(In millions of dollars)

Fiscal Year	Education, Training, Employment and Social Services	Health	Social Security and Medicare	Income Security	Veterans' Benefits and Services
1950	241	268	781	4,097	8,834
1955	445	291	4,427	5,071	4,675
1960	968	795	11,602	7,378	5,441
1965	2,146	1,791	17,460	9,455	5,723
1970	8,634	5,907	36,483	15,645	8,679
1975	16,002	12,930	77,533	50,160	16,599
1980	31,843	23,169	150,637	86,540	21,185
1985	29,342	33,542	254,445	128,200	26,352
1987 (est.)	27,447	34,997	282,447	118,374	26,420
Ratio of 1987 to 1950, except for Medicare which is ratio of 1987 to 1970	114 to 1	131 to 1	272 to 1	29 to 1	3 to 1

Source: Office of Management and Budget, Historical Tables, Budget of the United States Government, Fiscal Year 1987, table 3.1

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Federal spending for health and Medicare programs is expected to total $105,231 million in FY 1987. The following table displays the total Federal outlays for health, Medicare and veterans' hospital and medical care, and the percentage attributable to veterans. It is interesting to note the steady decline of Federal outlays attributed to veterans, from fiscal years 1977 to 1987.

Federal Outlays for Health, Medicare and Veterans' Hospital and Medical Care Fiscal Years 1977 - 1987

(In millions of dollars)

Fiscal Year	Outlays for Health a/	Outlays for Medicare	Outlays for Veterans' Hospital and Medical Care	Total	Veterans as Percent of Total
1977	17,302	19,345	4,708	41,355	11.4
1978	18,524	22,768	5,254	46,546	11.3
1979	20,494	26,495	5,611	52,609	10.7
1980	23,169	32,090	6,515	61,774	10.5
1981	26,866	39,149	6,965	72,980	9.5
1982	27,445	46,557	7,517	81,529	9.2
1983	28,641	52,588	8,272	89,501	9.2
1984	30,417	57,540	8,861	96,818	9.2
1985	33,542	65,822	9,547	108,911	8.8
1986 (est.)	35,669	68,661	9,872	114,202	8.6
1987 (est.)	34,997	70,234	9,720	114,951	8.5

a/ Outlays are from budget function 550. Does not include Medicare, Veterans' Administration or Defense Department spending for health care.

Source: Budget of the United States Government for fiscal year 1987, table 18.

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The following table provides federal outlays for veterans benefits and services as a percent of Gross National Product (GNP) for fiscal years 1977-1987 (estimated). As a porcentage of GNP, the cost of veterans' benefits and services has steadily declined, from 0.93 in 1977 to an estimated 0.58 in 1987.

Federal Outlays for Veterans' Benefits and Services as a Percent of Gross National Product Fiscal Years 1977-1987

Fiscal Year	Percent of GNP
1977	0.93
1978	0.87
1979	0.81
1980	0.79
1981	0.77
1982	0.76
1983	0.75
1984	0.69
1985	0.67
1986 (est.)	0.63
1987 (est.)	0.58

Source: Office of Management and Budget. Historical Tables, Budget of the United States Government, fiscal year 1987. Tables 3.1 and 6.2.

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VETERANS' ADMINISTRATION PROGRAMS BY FUNCTIONAL DISTRIBUTION

The programs under the Committee's jurisdiction are administered by the VA and are broken down into several subfunctional classifications. There follows a list of the functions and programs included in the VA budget for fiscal year 1987, as well as a comparison of total budget authority and outlays recommended by the Administration and that proposed by the Committee on Veterans' Affairs.

For purposes of clarity, the functions and their respective programs defined by OMB are as follows:

701. INCOME SECURITY FOR VETERANS

Compensation and pensions:
- Service-connected compensation
- Non-service-connected pensions
- Other veterans income security programs

Insurance Programs:
- Veterans insurance and indemnities
- Service-disabled veterans insurance fund
- Veterans reopened insurance fund
- National service life insurance
- U.S. Government life insurance
- Veterans special life insurance
- NSLI and USGLI receipts

702. VETERANS EDUCATION, TRAINING, AND REHABILITATION

- Readjustment benefits
- Education loan fund
- Vocational rehabilitation revolving loan fund
- Post-Vietnam era veterans' education account
- New GI Bill

703. HOSPITAL AND MEDICAL CARE FOR VETERANS

- Medical Care
- Medical and prosthetic research
- Medical administration and miscellaneous operating expenses
- Construction, major projects
- Construction, minor projects
- Grants for construction of State extended-care facilities
- Grants to the Republic of the Philippines
- Assistance for health manpower training institutions

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704. VETERANS HOUSING

Loan guaranty revolving fund
Direct loan revolving fund

705. OTHER VETERANS BENEFITS AND SERVICES

General operating expenses
Canteen service revolving fund
Supply fund
Special therapeutic and rehabilitation activities fund
General post fund
Grants for construction and operation of State cemeteries

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BUDGET AUTHORITY
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Federal funds:						
Benefit programs:						
Compensation	$10,232,458	$10,465,000	$10,406,000	$-59,000	$10,406,000	---
Pensions	3,809,870	3,834,000	3,824,000	-10,000	3,824,000	---
Burial benefits and miscellaneous assistance	132,572	127,999	134,400	+ 6,401	134,400	---
Readjustment benefits	1,130,800	877,569	741,150	-136,419	741,150	---
Veterans insurance & indemnities	11,000	9,745	4,770	-4,975	4,770	---
Loan guaranty revolving fund	306,600	200,000	---	-200,000	---	---
Total benefit programs	15,623,300	15,514,313	15,110,320	-403,993	15,110,320	---
Medical programs:						
Medical care	8,941,169	9,130,137	9,083,983	-46,154	9,591,000	+ 507,017
Medical and prosthetic research	192,695	181,127	188,915	+ 7,788	188,915	---
Medical administration and miscellaneous operating expenses	67,891	51,222	42,694	-8,528	42,694	---
Grants for construction of State extended care facilities	34,500	20,822	42,400	+ 21,578	42,400	---

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BUDGET AUTHORITY (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Medical programs - (Continued)						
Grants to the Republic of the Philippines	.500	.474	.500	+.026	.500	---
Total medical programs	9,236.755	9,383.782	9,358.492	-25.290	9,865.509	+507.017
Construction programs:						
Construction, major projects	568.194	485.544	301.208	-184.336	324.208	+23.000
Construction, minor projects	199.823	131.061	106.962	-24.099	106.962	---
Total construction programs	768.017	616.605	408.170	-208.435	431.170	+23.000
General operating expenses and miscellaneous:						
General operating expenses	753.954	712.835	762.579	+49.744	762.579	---
Grants for the construction of State veterans cemeteries	5.000	2.839	---	-2.839	---	---
Total GOE & miscellaneous	758.954	715.674	762.579	+46.905	762.579	---
Total appropriations, adjusted	26,387.026	26,230.374	25,637.561	-590.813	26,169.578	+530.017

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BUDGET AUTHORITY (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Proposed legislation:						
Compensation	---	---	305.500	+ 305.500	305.500	---
Burial benefits	---	---	-31.200	-31.200	0	+ 31.200
Readjustment benefits	---	---	---	---	24.000	+ 24.000
Medical care	---	---	2.327	+ 2.327	.767	-1.560
General operating expenses	---	---	.952	+ .952	.952	---
Post-Vietnam era veterans education account	---	---	59.200	+ 59.200	0	-59.200
Proprietary receipts from the public	---	-10.400	-161.883	-151.483	-119.183	+ 42.700
Total proposed legislation	---	-10.400	174.896	+ 185.296	212.036	+ 37.140
Total federal funds	26,387.026	26,219.974	25,814.457	-405.517	26,381.614	+ 567.157
Trust funds:						
Post-Vietnam era veterans education account	290.399	441.600	293.500	-148.100	293.500	---
General post fund	11.521	13.500	14.500	+ 1.000	14.500	---
National service life insurance	1,304.888	1,360.800	1,392.900	+ 32.100	1,392.900	---

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BUDGET AUTHORITY (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Trust funds - (Continued)						
U.S. Government life insurance	21.556	19.220	17.320	-1.900	17.320	---
Total trust funds(gross)	1,628.364	1,835.120	1,718.220	-116.900	1,718.200	---
Proprietary receipts from the public	-636.704	-857.785	-732.643	+ 125.142	-732.643	---
Total trust funds(net)	991.660	977.335	985.577	+ 8.242	985.577	---
Intragovernmental transactions	-80.412	-173.436	-184.576	-11.140	-184.576	---
Total Veterans' Administration	27,298.274	27,023.873	26,615.458	-408.415	27,182.615	+ 567.157

OUTLAYS
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Federal funds:						
Benefit programs:						
Compensation	$10,243.044	$10,453.000	$10,415.000	$-38.000	$10,415.000	---
Pensions	3,841.865	3,835.000	3,825.000	-10.000	3,825.000	
Burial benefits and miscellaneous assistance	132.572	128.007	134.392	+ 6.385	134.392	---
Readjustment benefits	1,173.667	910.422	754.897	-155.525	754.897	---
Veterans insurance & indemnities	10.916	9.745	4.770	-4.975	4.770	---
Reinstated entitlement program for survivors	-15.326	14.970	---	-14.970	---	---
Emergency veterans job training	68.838	49.200	5.384	-43.816	5.384	---
Loan guaranty revolving fund	278.462	285.450	148.900	-136.550	148.900	---
Direct loan revolving fund	-40.675	-44.740	-43.453	+ 1.287	-43.453	---
Service--disabled veterans insurance fund	-3.168	-.587	5.120	+ 5.707	5.120	---
Veterans reopened insurance fund	11.417	43.603	-4.540	-48.143	-4.540	---
Education loan fund	-6.325	-6.900	-6.657	+ .243	-6.657	---
Vocational rehabilitation revolving fund	-.041	-.030	.010	+ .040	.010	---

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OUTLAYS (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Benefits programs - (Continued)						
Servicemen's group life insurance fund	$19.750	$25.300	$35.100	$+9.800	$35.100	---
Total benefit programs	15,675.496	15,702.440	15,273.923	-428.517	15,273.923	---
Medical programs:						
Medical care	8,721.609	9,067.560	8,960.952	-106.608	9,467.969	+ 507.017
Medical and prosthetic research	215.124	181.491	187.332	+ 5.841	187.332	---
Medical administration and miscellaneous operating expenses	65.571	55.631	43.952	-11.679	43.592	---
Grants for construction of State extended care facilities	20.364	20.148	25.504	+ 5.356	25.504	---
Grants to the Republic of the Philippines	.399	1.063	.486	-.577	.486	---
Assistance for health manpower training institutions	2.171	1.680	---	-1.680	---	---
Canteen service revolving fund	-11.027	-5.411	1.474	+ 6.885	1.474	---

OUTLAYS (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Medical programs - (Continued)						
Special therapeutic and rehabilitation activities fund	-.112	-.130	-.030	+ .100	-.030	---
Total medical programs	9,014.120	9,322.032	9,219.670	-102.362	9,726.687	+ 507.017
Construction programs:						
Construction, major projects	397.966	424.804	536.688	+ 111.884	559.688	+ 23.000
Construction, minor projects	123.512	130.277	150.340	+ 20.063	150.340	---
Total construction programs	521.478	555.081	687.028	+ 131.947	716.028	+ 23.000
General operating expenses and miscellaneous:						
General operating expenses	724.048	715.425	758.945	+ 43.520	758.945	---
Grants for the construction of State veterans cemeteries	.534	2.600	.372	-2.228	.372	---
Supply fund	-14.543	---	---	---	---	---
Total GOE and miscellaneous	710.039	718.025	759.317	+ 41.292	759.317	---
Total appropriations and funds	29,921.133	26,297.578	25,939.938	-357.640	26,469.955	+ 530.017

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OUTLAYS (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Proposed legislation:						
Compensation	---	---	275.000	+ 275.000	275.000	---
Burial benefits	---	---	-31.200	-31.200	0	+ 31.200
Readjustment benefits	---	---	---	---	24.000	24.000
Loan guaranty revolving fund	---	---	-131.800	-131.800	0	+ 131.800
Education loan fund	---	---	-.044	-.044	0	+ .044
Medical care	---	---	2.327	+ 2.327	.767	-1.560
General operating expenses	---	---	.952	+ .952	.952	---
Proprietary receipts from the public	---	-10.400	-161.883	-151.483	-178.383	-16.500
Total proposed legislation	---	-10.400	-46.648	-36.248	122.336	+ 168.984
Total Federal funds	25,921.133	26,287.178	25,893.290	-393.888	26,592.291	+ 699.001
Trust funds:						
Post--Vietnam era veterans education account	182.458	231.000	217.800	-13.200	218.800	---
General post fund	11.400	12.500	13.500	+ 1.000	13.800	---
National service life insurance	955.965	1,066.588	1,170.400	+ 103.812	1,170.400	---

OUTLAYS (Continued)
(In millions of dollars)

Appropriation/Fund Account	1985	1986	1987	Change	Committee Recommendation	Change
Trust funds - (Continued)						
U.S. Government life insurance	45.698	44.230	41.200	-3.030	41.200	---
Veterans special life insurance	-66.823	-71.910	-66.300	+ 5.610	-66.300	---
Total trust funds (gross)	1,128.698	1,282.408	1,376.600	+ 94.192	1,376.600	---
Proprietary receipts from the public	-636.704	-857.785	-732.643	+ 125.142	-732.643	---
Total trust funds (net)	491.994	424.623	643.957	+ 219.334	643.957	---
Intragovernmental transactions	-80.142	-173.436	-184.576	-11.140	-184.576	---
Total Veterans' Administration	26,332.715	26,538.365	26,352.671	-185.694	27,051.672	+ 699.001

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BUDGET AUTHORITY
FY 1978 - FY 1987
(dollars in millions)

Appropriation/Fund Account	ACTUAL 1978	1979	1980	1981	1982	1983	ESTIMATE 1984	1985	1986	1987
Federal funds:										
Benefit programs:										
Compensation and pensions	$7,696,400	...	...	...	...	...	...	...	...	...
Compensation	...	$6,909,452	$7,337,300	$8,529,783	$9,590,493	$9,565,916	$9,952,512	$10,232,458	$10,465,000	$10,406,000
Pensions	...	1,554,848	1,678,800	1,794,177	4,047,600	3,741,634	3,916,000	3,809,870	3,834,000	3,824,000
Burial benefits and miscellaneous assistance	...	178,545	185,700	207,684	140,057	122,250	120,388	132,572	127,999	134,400
Readjustment benefits	2,617,778	2,509,555	2,318,535	2,349,673	1,904,100	1,666,800	1,443,200	1,130,800	877,569	741,150
Veterans insurance and indemnities	1,712	5,750	5,400	5,406	9,150	6,400	7,400	11,000	9,745	4,770
Reinstated entitlement program for survivors	...	...	...	...	...	...	51,000	...	...	...
Emergency veterans job training	...	...	...	...	...	...	130,000	...	...	...
Loan guaranty revolving fund	...	...	...	...	...	...	260,000	306,600	200,000	...
Education loan fund	17,200	...	...	...	...	...	...	...	...	...
Vocational rehabilitation revolving fund	...	...	...	1,250	...	...	...	...	...	...
Total benefit programs	12,335,090	11,158,150	13,530,735	14,892,973	15,751,600	15,103,000	15,880,500	15,623,300	15,514,313	15,110,320
Medical programs:										
Medical care	4,924,649	5,374,374	5,832,039	6,339,396	7,101,028	7,773,254	8,244,414	8,941,169	9,130,137	9,003,903
Medical and prosthetic research	111,053	122,847	125,847	140,070	140,855	154,839	217,680	192,695	181,127	180,915
Medical administration and miscellaneous operating expenses	41,116	47,058	48,205	52,809	69,369	56,420	66,552	67,891	51,222	42,694
Grants for construction of state extended care facilities	15,000	10,000	7,500	15,000	15,000	10,000	10,000	34,500	20,822	42,400
Grants to the republic of the philippines	1,200	.500	1,350	1,200	1,000	.500	.500	.500	.474	.500
Assistance for health manpower training institutions	51,411	104,405	...	...	...	...	...	...	...	...
Total medical programs	5,169,179	5,659,684	6,014,941	6,548,475	7,328,092	8,003,013	8,547,146	9,236,755	9,383,782	9,358,492
Construction programs:										
Construction, major projects	191,689	165,560	321,292	216,614	372,270	670,792	345,692	568,194	485,544	301,208
Construction, minor projects	96,234	86,345	73,233	108,908	102,010	141,748	185,378	199,823	131,061	106,962
Total construction programs	288,923	251,905	394,525	325,522	474,280	812,540	531,070	768,017	616,605	408,170
General operating expenses and misc.										
General operating expenses	581,850	631,675	611,609	641,251	662,057	690,152	715,676	753,954	712,835	762,579
Grants for the construction of state veterans cemeteries	...	...	5,000	5,000	...	2,500	3,000	5,000	2,839	...
Total general operating expenses & miscellaneous	581,850	631,675	616,609	648,251	662,057	692,652	718,676	758,954	715,674	762,579

BUDGET AUTHORITY
FY 1978 - FY 1987
(Dollars in millions)

Appropriation/Fund Account	ACTUALS 1978	1979	1980	1981	1982	1983	1984	1985	ESTIMATES 1986	1987
Federal funds (continued):										
Total appropriations (adjusted)	18,514,992	19,901,414	20,551,810	22,455,221	24,216,829	24,611,205	25,685,392	26,387,026	26,719,976	25,814,457
Proposed legislation:										
Compensation	...	...	...	...	...	...	...	...	...	305,500
Burial benefits	...	...	...	...	...	...	...	...	...	-31,200
Medical care	...	...	...	...	...	...	...	...	...	2,327
General operating expenses	...	...	...	...	...	...	...	...	...	.952
Post-Vietnam era veterans education account	...	...	...	...	...	...	...	...	...	59,200
Proprietary receipts from the public	...	...	...	...	...	...	...	...	-10,400	-161,883
Total proposed legislation	...	...	...	...	...	...	...	...	-10,400	174,896
Deduct: Proprietary receipts from the public	-3,138	-3,821	-2,450	-2,942	-3,476	-77,510	-59,070	...	...	...
Total federal funds	18,511,854	19,897,593	20,549,360	22,452,279	24,212,553	24,533,695	25,626,322	26,387,026	26,230,374	25,639,561
Trust funds:										
Post-vietnam era veterans education account	31,736	70,788	111,302	142,245	161,057	222,315	224,776	290,399	441,600	293,500
General post fund	6,105	6,460	7,414	7,707	9,942	10,667	13,447	11,521	13,500	14,500
National service life insurance	939,727	982,543	1,044,166	1,104,104	1,163,633	1,202,072	1,248,781	1,304,888	1,360,800	1,392,900
U.S Government life insurance	36,153	38,310	37,968	36,152	31,209	26,268	23,279	21,556	19,220	17,320
Total trust funds (gross)	1,011,930	1,098,101	1,200,850	1,290,208	1,365,841	1,461,322	1,510,283	1,628,364	1,835,120	1,718,220
Deduct: Proprietary receipts from the public	-512,960	-526,328	-572,587	-600,967	-612,103	-605,105	-617,028	-636,704	-857,785	-732,643
Total trust funds (net)	500,960	571,773	628,263	687,241	753,738	856,217	893,255	991,660	977,335	985,577
Deduct: Intragovernmental transactions	-2,472	-2,369	-3,014	-6,640	-21,521	-67,911	-51,008	-80,412	-173,436	-184,576
Total Veterans Administration	$19,010,342	$20,466,997	$21,174,609	$23,132,880	$24,944,770	$25,324,001	$26,468,569	$27,298,274	$27,023,873	$26,615,458

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BUDGET OUTLAYS
FY 1978 - FY 1987
(dollars in millions)

Appropriation/Fund Account	1978	ACTUAL 1979	1980	1981	1982	1983	ESTIMATES 1984	1985	1986	1987
Federal funds										
Benefit programs:										
Compensation and pensions	$9,572.817	...	...	...	$9,276.429	$9,843.853	$9,915.741	$10,243.044	$10,453.000	$10,415.000
Compensation	...	$6,743.320	$7,433.501	$8,425.761	...	...	...	...	...	...
Pensions	...	3,521.725	3,585.368	3,755.107	3,879.396	3,893.900	3,874.220	3,841.865	3,835.000	3,825.000
Burial benefits and miscellaneous assistance	...	176.881	183.213	208.135	140.060	122.250	120.388	132.572	128.007	134.392
Readjustment benefits	3,361.716	2,810.812	2,416.979	2,332.121	2,005.365	1,713.702	1,408.267	1,173.667	910.422	754.897
Veterans insurance and indemnities	3.450	4.421	3.919	8.174	9.255	6.629	7.167	10.916	9.745	4.770
Reinstated entitlement program for survivors	...	...	...	...	...	...	44.802	-15.326	14.970	...
Emergency veterans job training	...	...	...	...	...	...	17.078	68.838	49.200	5.384
Loan guaranty revolving fund	80.236	207.112	27.557	277.820	181.027	239.268	369.847	278.462	285.450	148.900
Direct loan revolving fund	-38.900	-65.350	-67.154	-128.274	-62.266	-139.764	-44.573	-40.675	-44.700	-43.453
Service-disabled veterans insurance fund	2.119	.893	2.789	-.485	-2.563	.432	-.395	-3.168	-.587	5.120
Veterans reopened insurance fund	-28.624	-27.900	-17.227	-13.778	-18.659	-22.475	-15.864	11.417	43.603	-4.540
Education loan fund	14.591	6.367	3.338	.987	-5.187	-6.577	-6.780	-8.325	-6.900	-6.657
Vocational rehabilitation revolving fund	-.001	.023	.008	-.037	.059	-.021	.024	-.041	-.030	.010
Servicemen's group life insurance fund	-.464	.464	-.146	118	-39.998	-39.751	-27.010	-19.750	25.300	35.100
Total benefit programs	12,986.861	13,378.760	13,572.377	14,866.862	15,365.779	15,611.446	15,670.912	15,675.496	15,702.440	15,273.923
Medical programs:										
Medical care	4,809.118	5,159.544	5,981.288	6,320.080	6,851.668	7,602.087	8,123.794	8,721.690	9,067.560	8,960.952
Medical and prosthetic research	111.747	117.270	130.912	135.288	135.258	151.583	186.289	215.124	181.491	187.332
Medical administration and miscellaneous operating expenses	41.645	42.621	50.052	49.461	51.546	58.365	64.581	65.571	55.631	43.952
Grants for construction of State extended care facilities	6.900	14.303	14.223	9.002	15.253	13.612	5.154	20.364	20.148	25.504
Grants to the Republic of the Philippines	1.770	.187	1.330	1.202	.182	.353	.454	.339	1.063	.486
Assistance for health manpower training institutions	39.511	40.672	42.486	47.175	34.377	17.467	5.252	2.171	1.680	...
Construction and operation of garage and parking facilities	...	...	-.122	-.134	.080	.176	...	...	...	...
Canteen service revolving fund	-2.788	-3.250	-.887	-1.632	-.803	-5.333	1.224	-11.027	-5.411	1.474
Special therapeutic and rehabilitation activities fund	-.161	-.164	-.191	-.048	-.175	-.010	-.072	-.113	-.130	-.030
Consolidated working fund	-.250	.003	1.369	...	...	...	...	...	...	...
Total medical programs	5,007.715	5,371.186	6,220.380	6,560.402	7,087.386	7,838.300	8,386.676	9,014.120	9,322.032	9,219.670

BUDGET OUTLAYS
FY 1978 - 1987
(dollars in millions)

Table Continued

Appropriation/Fund Account	Actuals 1978	1979	1980	1981	1982	1983	1984	1985	Estimates 1986	1987
Federal funds (Continued):										
Construction programs:										
Construction, major projects	161.930	150.232	189.506	307.558	345.232	337.782	352.805	397.966	424.804	536.688
Construction, minor projects	81.337	86.265	105.169	97.773	83.355	90.872	122.663	123.512	130.277	150.340
Total construction programs	243.267	236.497	294.675	405.331	428.678	428.654	475.468	521.478	555.081	687.028
General operating expenses and misc.										
General operating expenses	550.082	603.295	629.295	624.133	649.939	673.710	704.093	724.048	715.425	758.945
Grants for the construction of State veterans cemeteries	...	...	.234	.674	.861	1.593	.849	.534	2.600	.372
Supply fund	.043	-7.596	-4.249	-.341	-11.511	-22.376	-9.477	-14.543	...	...
Total general operating expenses & misc	550.125	595.699	625.280	623.96	639.289	652.927	695.465	710.039	718.025	759.317
Total appropriations and funds	18,795.962	19,582.143	20,713.155	22,453.987	23,520.271	24,531.327	25,228.521	25,921.133	26,297.578	25,939.938
Proposed legislation:										
Compensation	...	...	...	...	...	...	...	...	...	275.000
Burial benefits	...	...	...	...	...	...	...	...	...	-31.200
Loan guaranty revolving fund	...	...	...	...	...	...	...	...	...	-131.800
Education loan fund	...	...	...	...	...	...	...	...	...	.044
Medical care	...	...	...	...	...	...	...	...	...	2.327
General operating expenses	...	...	...	...	...	...	...	...	...	.952
Proprietary receipts from the public	...	...	...	...	...	...	...	...	-10.400	-161.083
Total proposed legislation	...	...	...	...	...	...	...	...	-10.400	-46.648
Deduct: Proprietary receipts from the public	-3.138	-3.021	-2.450	-2.942	-3.476	-77.510	-59.070	...	...	...
Total federal funds	18,792.824	19,578.322	20,710.705	22,450.945	23,516.795	24,453.817	25,169.451	25,921.133	26,287.178	25,893.290
Trust funds:										
Post-vietnam era veterans education account	.010	13.815	32.653	67.777	107.453	140.329	155.996	182.458	231.000	217.800
General post fund	5.032	5.547	6.186	6.887	7.641	9.449	10.479	11.400	12.500	13.500
National service life insurance	667.762	785.393	920.220	965.147	925.291	890.928	922.083	955.965	1,066.588	1,170.400
U.S. Government life insurance	66.471	70.841	76.317	70.048	64.312	59.851	51.879	45.698	44.230	41.200
Veterans special life insurance	-55.051	-38.049	-44.317	-44.194	-50.510	-56.486	-57.992	-66.823	-71.910	-66.300
Total trust funds (gross)	684.761	837.547	999.433	1,066.665	1,054.207	1,044.071	1,082.365	1,130.698	1,282.408	1,376.600
Deduct: Proprietary receipts from the public	-512.969	-526.328	-572.587	-600.967	-612.103	-605.105	-617.028	-636.704	-657.705	-732.643
Total trust funds (net)	171.808	311.219	426.846	459.698	442.104	438.966	465.337	491.668	624.623	643.957
Deduct: Intragovernmental transactions	-2.472	-2.369	-3.014	-6.640	-21.521	-65.911	-51.008	-80.412	-113.436	-104.576
Total Veterans Administration	$18,962.152	$19,887.172	$21,134.537	$22,904.003	$23,937.378	$24,826.872	$25,583.780	$26,332.715	$26,798.365	$26,352.671

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ADMINISTRATION'S PROPOSED LEGISLATION FOR FISCAL YEAR 1987

The following items are included in the President's legislative program for the second session of the 99th Congress and have been included in his fiscal year 1987 budget.

(In millions of dollars)

	Fiscal Year 1987	
	Budget authority	Budget outlays
Compensation:		
Cost-of living (COLA) increase of 3.7 percent, effective December 1, 1986.....	$305.500	$275.000
Burial benefits and miscellaneous assistance:		
Change eligibility for plot allowances to be consistent with the eligibility requirements for the basic burial allowance.....	-31.200	-31.200
Education Loan Fund:		
Repeal the authority that permits the VA to make education loans, effective October 1, 1986.....	0	-.044
Loan Guaranty:		
Legislative savings to increase the loan origination fee from 1 percent to 2 percent (phased increases to 3.0 percent by 1990).....	....	-131.800
Medical Care:		
To provide (1) authority to contract for home health services and; (2) resources for the administrative costs of implementing the legislative proposal to reform medical care eligibility for non-service-connected veterans based on a means test.....	+2.327	+2.327
General operating expenses:		
To provide resources for General Counsel to recover or collect from health insurance policies, the cost of medical care for non-service-connected disabilities.....	+.952	+.952

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Proprietary Receipts:		
To effect reimbursement from third party insurance carriers, for cost of medical care and treatment to veterans with non-service-connected disabilities, effective April 1, 1986.....	-187.500	-187.500
Close All Volunteer Force GI Bill to Enrollees:		
Post-Vietnam era veterans education account:		
Reopen the Post-Vietnam era Program for new enrollees on October 1, 1986.....	+59.200	....
Proprietary Receipts:		
Increase collection into Post-Vietnam era program.....	-59.200	-59.200
Close program to new personnel on October 1, 1986.....	+84.817	+84.817
Total, proposed legislation.....	$+174.896	$-46.648

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COMMITTEE ON VETERANS' AFFAIRS PROPOSED LEGISLATION
FISCAL YEAR 1986

(In millions of dollars)

	Estimated Budget Authority
Compensation, pension and insurance:	
Improve the disability compensation program for former prisoners of war	(1)
Readjustment benefits:	
Improve the new educational assistance program for veterans and members of the Armed Forces	$24.0
Extend and amend authority to make Veterans' Readjustment Appointments	0
Medical Care:	
Prohibit the Veterans' Administration from carrying out certain proposed real estate transactions	0
Housing:	
Veterans housing amendments	0
Total - legislative proposals	$24.0

*(1) Insignificant

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COMMITTEE ON VETERANS' AFFAIRS NONLEGISLATIVE PROPOSALS
FISCAL YEAR 1987

(In millions of dollars)

	FTEE	Estimated Budget authority
Medical Care:		
Maintain a current services level in the VA health care system.....	8,848	$507.0
Construction Additions:		
A. Add funds for site acquisition of Palm Beach Hospital.....	0	6.0
B. Add funds for design VAMC Pittsburgh (Aspinwall Division)..	0	5.3
C. Add funds for nursing home Construction at Hampton, VA.....	0	5.7
D. Add funds for nursing home construction at Tampa, FL.....	0	6.0
Total-nonlegislative proposals.....	8,848	530.0

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I. Presidential Proposals

(In millions of dollars)

Legislative Proposal	Estimate 1987	1988	1989
701 - To provide a 3.7 percent increase for service-connected disabled veterans and their surviving spouses and children, effective December 1, 1986			
President's request:			
Budget authority.....	305.5	737.2	1,125.3
Outlays.....	275.0	700.0	1,093.6
Committee recommendation:			
Budget authority.....	305.5	737.2	1,125.3
Outlays.....	275.0	700.0	1,093.6

The Committee accepts the 3.7 percent increase in compensation for service disabled veterans and the same increase in dependency and indemnity compensation for surviving spouses and children of veterans who died from service-connected causes.

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(In millions of dollars)

Legislative proposal	Estimate 1987	1988	1989
702 - To repeal the authority that permits VA to make education loans.			
President's request:			
Budget authority	0	0	0
Outlays	-.044	-.039	.029
Committee recommendations:			
Budget authority	0	0	0
Outlays	0	0	0

The education loan fund is used to provide loans of up to $2,500 to persons who are in training under chapter 34 or 35, title 38, U.S.C., but past their delimiting date with unused entitlement; and to veterans enrolled in flight training under chapter 34. Repayment is not required and interest is not charged until 9 months after the date the borrower ceases training. Loan amounts of more than $600 must be repaid within a period of 10 years; smaller amounts must be repaid in a proportionately shorter time.

No appropriation by Congress is required for this program. The fund balance and anticipated collections will be sufficient to support the expected volume of new loans, and authority exists to supplement this fund as required from the readjustment benefits appropriation.

The Administration has proposed that the authority permitting the VA to make education loans be repealed effective October 1, 1986, citing an excessively high default rate. The Administration estimates that only 45 veterans and survivors will be eligible for these loans in fiscal year 1987.

The Committee rejects this proposal.

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(In millions of dollars)

Legislative proposal	Estimate 1987	1988	1989
702 - To terminate All Volunteer Force GI Bill for new enrollees and reopen the Veterans Educational Assistance Program (VEAP) effective October 1, 1986.			
President's request:			
Budget authority	84.8	70.9	19.6
Outlays	25.6	75.1	46.2
Committee recommendations:			
Budget authority	0	0	0
Outlays	0	0	0

Public Law 98-525, the Department of Defense Authorization Act of 1984, established a new educational assistance program for individuals who enter the military between July 1, 1985 and June 30, 1988. Basic pay of individuals who participate in this New GI Bill is reduced $100 a month for 12 months. Basic benefits under this program, up to a maximum of $300 per month for 36 months for full-time training, will be funded by the Veterans' Administration. The Department of Defense may fund additional education assistance benefits for retention or recruitment purposes.

Testimony received by the Committee indicates that the New GI Bill is already proving to be a highly efficient recruitment and retention tool. Statistics confirm that meaningful education benefits attract brighter young people into the Armed Forces. For example, the Army enlisted 2,300 more high quality males in the first quarter of the New GI Bill than it did in Fiscal Year 1984 - a 17% increase. Additionally, the New GI Bill has contributed to a 38% increase in high quality Army recruits during the first quarter of fiscal year 1986 over the first quarter of fiscal year 1985.

The Air Force has pointed out that the Veterans Educational Assistance Program (VEAP), with a participation rate of only 6%, was a neutral recruiting incentive. The New GI Bill, in contrast, already has a participation rate of 38%. The Air Force also notes that the New GI Bill is producing a steady flow of high quality new accessions who are vitally needed to sustain the high technology environment in the Air Force.

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This new educational assistance program benefits our armed services but, more importantly, it benefits individual servicemembers. Further education enhances the quality of life for our veterans and also benefits the nation as a whole. Using 1981 census data, the Census Bureau estimates a typical high school graduate's lifetime income at $954,000 while a typical college graduate's income soars to $1,329,000. The increased taxes paid on the additional $350,000 earned by the college graduate will more than repay the cost of the GI Bill benefits.

The Administration's proposal to terminate the New GI Bill and replace it with the inefficient and unpopular VEAP program is shortsighted. The Committee believes the new program should proceed through the full three year test period.

The Committee rejects this proposal.

(In millions of dollars)

Legislative Proposal	Estimate 1987	1988	1989
703 - To provide (1) authority to contract for home health services and (2) resources for the administrative costs of implementing the legislative proposal to reform medical care eligibility for non-service-connected veterans based on a means test.			
President's request:			
Budget authority	+2.327	+4.247	+5.967
Outlays	+2.327	+4.247	+5.967
Committee recommendation:			
Budget authority	+ .767	+ .767	+ .767
Outlays	+ .767	+ .767	+ .767

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(1) In the report to the Budget Committee for fiscal year 1986, the Committee recommended enhancing the VA's hospital-based home care programs. The Committee continues to consider important approaches to innovative health care which emphasize alternatives to long-term institution-based care. The current situation where eligible veterans needing health care are being turned away from VA facilities, where the increased demand from the rapidly aging veteran population is already being felt, and where the constraints on VA resources are very tight makes imperative cost-effective alternatives to building additional hospital and nursing care beds and to providing staff to care for patients 24 hours a day. Providing home health care through the fee-basis mechanism can enhance this VA alternative health care delivery modality.

The Committee accepts this proposal.

(2) The Administration is reproposing its reform of medical care eligibility for non-service-connected veterans based on a means test.

The Committee and the Congress addressed the issue of medical care eligibility reform during the First Session of the 99th Congress when the provisions of H. R. 1538, the "Veterans' Compensation Rate and Job Training Amendments of 1985," (House Report 99-337, Part I) were incorporated by the Committee on the Budget into H. R. 3500, the Omnibus Budget Reconciliation Act of 1985 (House Report 99-300). The veterans' benefits and services provisions of H. R. 3500 revised existing eligibilities for health care furnished by the Veterans' Administration, and established a "health-care income threshold" for purposes of determinations of eligibility based on "inability to defray" the cost of needed non-service-connected care. H. R. 3500 was passed by the House on October 24, 1985 and its provisions were subsequently incorporated into H. R. 3128, as amended, the Consolidated Omnibus Budget Reconciliation Act of 1985. The conference agreement on H. R. 3128, as amended, is presently awaiting resolution. (See Congressional Record of December 19, 1985, Volume 131, Part III, pp. H 13283-13288).

The Committee rejects the Administration proposal in view of the pending conference agreement on H. R. 3128, as amended.

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(In millions of dollars)

Legislative proposal	Estimate 1987	1988	1989
703 - To effect reimbursement from third party insurance carriers for the cost of medical care and treatment to veterans with non-service-connected disabilities effective April 1, 1986.			
President's request:			
Budget authority	-187.5	-265.0	-275.0
Outlays	-187.5	-265.0	-175.0
Committee recommendation:			
Budget authority	-204.0	-356.0	-405.0
Outlays	-204.0	-356.0	-405.0

This legislative proposal is a reproposal of a legislative initiative presented to the Congress by the Administration during the First Session of the 99th Congress.

The Committee and the Congress rejected the proposal and addressed the issue of third party reimbursement during the First Session of the 99th Congress when the provisions of H. R. 1538, the "Veterans' Compensation Rate and Job Training Amendments of 1985." (House Report 99-337, Part I) were incorporated by the Committee on the Budget into H. R. 3500, The Omnibus Budget Reconciliation Act of 1985 (House Report 99-300). H. R. 3500 was passed by the House on October 24, 1985 and its provisions were subsequently incorporated into H. R. 3128, as amended, the Consolidated Omnibus Budget Reconciliation Act of 1985. The Conference agreement on H. R. 3128, as amended is presently awaiting resolution (See Congressional Record of December 19, 1985, Volume 131, Part III, pp. H 13283-13288.)

The Committee rejects the Administration's proposal in view of the pending Conference agreement on H. R. 3128, as amended.

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(In millions of dollars)

Legislative Proposal	Estimate 1987	1988	1989
704 - To increase the loan origination fee from 1 percent incrementally over the next four years. 1 to 2 percent in FY '87; 2 to 2.5 in FY '88; 2.5 to 3 in FY '89; and 3 to 3.8 in FY 90 and thereafter			
President's request:			
Budget authority.....	0	0	0
Outlays.....	-131.8	-146.2	-227.3
Committee recommendation:			
Budget authority.....	0	0	0
Outlays.....	0	0	0

In enacting the Deficit Reduction Act of 1984 the Congress addressed the funding deficiency in the Loan Guaranty Revolving Fund. The enactment of Public Law 98-369 was intended not only to make the Loan Guaranty Revolving Fund solvent in future years, but to demonstrate Congressional interest in the continuation of this program which has benefited 11.9 million veterans.

Although appropriations were necessary in FY '85 and FY '86, the program has stabilized due to an upward swing in the economy as well as the effect of P.L. 98-369. The Congress rejected a proposal to increase the origination fee last year. Although the increased user fee recommendation was accepted by the Senate Budget Committee, the proposal was never supported by the House Budget Committee and the House Committee on Veterans' Affairs. Subsequently, the House position prevailed and this proposal was not contained in the Reconciliation bill which was enacted. It should be noted that the budget request for FY '87 does not contain any request for an appropriation whether an increased user fee is adopted or not. This proposal, therefore, is recommended by the Administration simply to raise revenue at the expense of homebuying veterans. The Committee views this as an unfair tax on veterans. To the extent that revenues exceed operating costs or losses, they are taxes. Raising taxes is fundamentally different from cutting spending, and the higher fee is nothing less than a tax on housing. Interest rates are at their lowest in six years and some veterans are in a position, for the first time, to buy their own homes. To impose an increased user fee on these potential homebuyers now would place an undue burden upon them.

The Committee, therefore, opposes any increase in the user fee.

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(In millions of dollars)

Legislative Proposal	Estimate 1987	1988	1989
705 - Change eligibility for plot allowances to be consistent with the eligibility requirements for the basic burial allowance			
President's request:			
Budget authority	-31.2	-33.2	-35.1
Outlays	-31.2	-33.2	-35.1
Committee recommendation:			
Budget authority	0	0	0
Outlays	0	0	0

At the time the Committee received the Administration proposal in the FY '82 Budget to change the eligibility requirements for the basic burial allowance, the Office of Management and Budget contacted the Committee and stated that they did not want to simultaneously change the eligibility requirements for the plot allowance. OMB wished to keep this benefit intact so that the death certificates accompanying applications for the plot allowance could be used by the Government for statistical and research purposes.

The Committee concurred with OMB. The Committee believes the collection of veterans death certificates continues to be an important Government function for census accuracy as well as research purposes. In addition, the Committee believes that the Government should not renege on its contract to pay plot allowances to the individual states which have established veterans cemeteries.

The Committee, therefore, rejects this proposal.

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(In millions of dollars)

Legislative Proposal	Estimate 1987	1988	1989
705 - To provide resources for General Counsel to recover or collect from health insurance policies the cost of medical care for non-service-connected veterans.			
President's request:			
Budget authority	.952	.952	.952
Outlays	.952	.952	.952
Committee recommendation:			
Budget authority	.952	.952	.952
Outlays	.952	.952	.952

This proposal provides funds for the Office of the General Counsel and administrative costs to recover or collect medical treatment costs from health insurance policies of certain non-service-connected veterans treated in Veterans' Administration facilities.

The Committee agrees that these costs will be valid in support of either the Administration or the Committee proposal.

II. Congressional Proposals

(In millions of dollars)

Legislative proposal:	Estimate 1987	1988	1989
701 - To improve the disability compensation program for former prisoners of war.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendation:			
Budget authority	(1)	(1)	(1)
Outlays	(1)	(1)	(1)

*(1) Insignificant

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Public Law 97-37 expanded basic eligibility criteria for certain benefits and health care for former prisoners of war by reducing the requisite incarceration period from 6 months to 30 days for a presumption of malnutrition; providing service-connected benefits for psychosis and anxiety states regardless of when first shown unless there is an intercurrent cause; and provided inpatient and outpatient medical treatment on a new priority basis.

The Committee expects to report legislation to expand basic eligibility criteria for service-connected benefits for three medical conditions, traumatic arthritis, spastic colon and organic residuals of hypothermia (or frost-bite), where such conditions are shown to exist and there is no intercurrent cause. Service organizations representing prisoners of war have testified to the effect that the lack of medical records established during captivity effectively prevents approval of their claims for residuals of these disabilities.

The requisite incarceration period for eligibility for dental treatment would be reduced from six months to ninety days.

The cost of these provisions will be insignificant.

(In millions of dollars)

	Estimate		
Legislative proposal	1987	1988	1989
702 - To amend Veterans Readjustment Appointment Program.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendation:			
Budget authority	0	0	0
Outlays	0	0	0

The Veterans Readjustment Appointment (VRA) program allows eligible Vietnam era veterans to be appointed noncompetitively to a Federal civilian job which leads to competitive status and career or career-conditional tenure upon satisfactory completion of 2 years of service and education or training.

This highly successful program has enabled hundreds of thousands of Vietnam Era veterans to pursue a career with the Federal government. The authority to make VRA appointments, however, expires September 30, 1986. The Committee will consider legislation to extend this authority to December 31, 1991, and to make other improvements in this program.

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(In millions of dollars)

Legislative Proposal	Estimate 1987	1988	1989
702 - To improve new educational assistance programs for veterans and for members of the Armed Forces.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendation:			
Budget authority	24.0	1.0	-35.0
Outlays	24.0	19.0	89.0

As noted elsewhere in this document, the Administration's budget proposal contains a recommendation to close the New GI Bill for new enrollees effective October 1, 1986. The Committee strongly rejects this proposal as one which is shortsighted and which will have a negative effect on our military services.

Rather than terminate the New GI Bill, this Committee will consider legislation (H.R. 2747, amended) which has been recommended by the Subcommittee on Education, Training and Employment to improve the New GI Bill. The Committee feels that these amendments will enhance this new educational assistance program and allow the New GI Bill to achieve its full potential as a recruitment and retention device and as a meaningful readjustment benefit.

It should be noted that the establishment of the "Veterans' Administration New GI Bill Educational Assistance Fund" in the U.S. Treasury would create no new spending authority. The pay reductions of participants in the New GI Bill would be deposited in this trust fund. The VA Administrator would use this fund to pay basic benefits and make refunds to program participants. Interest would be earned on any portion of the fund which is not currently needed to meet VA obligations. It is important to point out that there is no effect on outlays with the creation of this fund, nor would the Federal deficit be increased in any way. The creation of the fund does, however, require a score-keeping change to reflect the contribution to the Educational Assistance Fund. This score-keeping change is necessitated because existing contributions which are made by servicemembers are not set aside for the purpose of providing future educational benefits, instead they revert to the Treasury. Under the Committee's proposal, budget authority would technically increase in the initial years of the fund, since contributions would be "banked" or saved in the trust find to offset future needs for appropriations.

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Additionally, outlays shown in FY 1988 and FY 1989 result from the termination of the Veterans' Educational Assistance Program (VEAP). This unpopular and ineffective program, which was suspended under a provision of P.L. 98-525 for the period July 1, 1985 through June 30, 1988, is a contributory program. A servicemember's contribution of up to $2,700 is matched on a 2 for 1 basis by the Federal government. The servicemember is required to serve on active duty for 2 years before beginning to use the education benefits. Thus, the outlays shown in the cost estimate reflect the loss of contributions during fiscal years 1988 and 1989 anticipated in the baseline estimate prepared by CBO. Savings would, of course, result in later years due to the termination of this program.

(In millions of dollars)

	Estimate		
Legislative Proposal	1987	1988	1989
703 - To prohibit the Administrator of Veterans' Affairs from carrying out certain proposed real estate transactions.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendation:			
Budget authority	0	0	0
Outlays	0	0	0

The Administrator proposes to declare as excess certain real property at the Veterans' Administration Medical Center at West Los Angeles, California (consisting of approximately 109 acres) and at Sepulveda, California (consisting of approximately 46 acres).

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The Committee has long been concerned about the excessing of property belonging to the Veterans' Administration, particularly when it is known that additional property will be needed beyond the year 2000 to take care of the health care needs of the aging veteran population. The Veterans' Administration has reported that since September, 1970, the Veterans' Administration has transferred from its jurisdiction over 1,600 acres of land. The Committee is concerned that the VA is already turning away over 35,000 veterans monthly. The Committee is also concerned with the documented forecast of a dramatic increase in the number of veterans 65 years of age or over who will need health care treatment at VA facilities in the next two decades. The Committee believes this acreage may be needed for improvement or expansion of the presently overburdened medical facility system. This belief has been accelerated by the high cost of leasing space for regional office and outpatient activities, since it has proven more cost-effective to construct such facilities on Veterans' Administration medical center property.

The Committee rejects this proposal. The Chairman has introduced H. R. 4204, a bill to prohibit these real estate transactions.

(In millions of dollars)

Legislative proposal	Estimate 1987	1988	1989
704 -- Veterans' Housing Amendments of 1986			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recomendation:			
Budget authority	(1)	(1)	(1)
Outlays	(1)	(1)	(1)

(1) Estimates not available

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As with conventional loans, the high unemployment rate in the early 1980's caused a substantial mortgage foreclosure increase in VA guaranteed home loans. Faced with record-high deficits, and in an attempt to budget for outlays which resulted from loan guaranty commitments, the Administration recommended proposals in the last three VA budgets which were directed only toward a single year's budget outlay rather than toward any true reduction in budget deficits with long-range deficit effects.

The FY '87 budget contains an optimistic prognosis and appropriations will not be necessary in FY '87 to operate the program. The Committee believes that the VA Home Loan Guaranty Program is not only beneficial to veterans but also helps to boost the economy by providing a source of credit reinforcement without which the building industry might tend to languish.

In an effort to assure the continuation of this program, which has benefited more than 11.9 million veterans, the Committee plans to consider legislation directed at the future solvency of the program. The Committee believes this can be done by the use of fee basis attorneys to foreclose VA portfolio loans and collect debts, modifying current debt collection procedures, and holding the VA harmless for the guaranty where the lender has improperly underwritten and/or documented a mortgage at the time of origination and subsequent foreclosure action on a mortgage resulting from a delinquency within four months of the origination date.

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COMMITTEE ON VETERANS' AFFAIRS NONLEGISLATIVE PROPOSALS
FISCAL YEAR 1987

(In millions of dollars)

	FTEE	Estimated budget authority
703 - Medical care: To maintain a current services level in the VA health care system.....	8,848	$507.017

Section 5010 of title 38, U.S.C. requires the VA to operate and maintain not less than 90,000 hospital and nursing home beds. Public Law 99-160, the HUD-Independent Agencies Appropriation Act for fiscal year 1986, mandated a VA medical staffing level of 193,941. Yet, the proposed Administration budget for medical care for fiscal year 1987 contains reductions in FTEE of 8,927 and proposes to operate only 85,578 hospital and nursing home beds. Of the reduction in FTEE, 6,988 will result from treating fewer veterans and 1,939 through a "productivity increase". When the cut of 1,306 FTEE resulting from P.L. 99-177 (the Balanced Budget and Emergency Deficit Control Act of 1985) is considered, existing VA medical staff will have been cut by 10,233 persons during the single calendar year of 1986.

The VA reports that each month it is now turning away over 35,000 eligible veterans. The generally acknowledged increase in medical care needs from a rapidly aging eligible veteran population is already being felt and will continue to increase until an expected peak in the year 2000. As was stated in the report to the Budget Committee for fiscal year 1986, it is clear that resources must increase over the next two decades to meet this large and increasing demand.

The Committee is recommending a restoration of the funds and personnel necessary to maintain a current services level in the VA health care system. This recommendation includes funds for projected salary levels for 193,941 FTEE during fiscal year 1987.

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(In millions of dollars)

	Estimate		
	1987	1988	1989
703 - Construction Additions			
A. Add funds for site acquisition of Palm Beach Hospital			
Budget authority	$6	0	0
Outlays	6	0	0
B. Add funds for design VAMC Pittsburgh (Aspinwall Division)			
Budget authority	5.3	0	0
Outlays	5.3	0	0
C. Add funds for nursing home construction at Hampton, VA			
Budget authority	5.7	0	0
Outlays	5.7	0	0
D. Add funds for nursing home construction at Tampa, FL			
Budget authority	6	0	0
Outlays	6	0	0

The proposed budget would reduce funding for medical facility construction by approximately 41 percent from the fiscal year 1986 budget. The committee views this as a shortsighted savings since both the age and condition of the capital plant of the VA and the rate of change in the practice of medicine require regular infusions of resources. Even beyond concern with the physical and technological aging of facilities, inadequate current capacity results in the turning away monthly of over 35,000 eligible veterans needing health care, a number expected to increase with the anticipated needs of aging veterans. The situation in the sun belt states, among them Florida, is even more severe. There have been numerous studies and reports documenting the existing high level of need, as well as the rapid growth in need, caused by migration to Florida.

The Committee is recommending the inclusion of funds for site acquisition of the Palm Beach Hospital and design funds for VAMC Pittsburgh (Aspinwall Division).

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No new nursing homes are being requested in the budget while the VA's five-year construction plan calls for four nursing homes for this fiscal year. Current problems in the distribution and availability of all nursing home beds are evidence of how seriously flawed and ill-advised is the proposed complete dependence on alternative sources of nursing home beds, such as community nursing homes and conversion of hospital beds to meet the need for such care by veterans. The proposed nursing home projects at Hampton, Virginia and Tampa, Florida, are in areas where there is no alternative source of beds.

The Committee is recommending the inclusion of funds for nursing home construction projects at Hampton, Virginia, and at Tampa, Florida.

In addition, the Committee notes that in fiscal year 1936, it authorized the 60-bed Wilkes-Barre project in the full amount requested of $4.1 million. Subsequently, the VA was directed by the Committee on Appropriations in the report accompanying H.R. 3038, the Department of Housing and Urban Development-Independent Agencies Appropriation Bill for fiscal year 1986, "to proceed with the design of a $4.1 million 60-bed nursing home care unit project at Wilkes-Barre in 1986."

The Committee anticipates that the balance of the $4.1 million will be included in this year's appropriations bill, so that the project can be constructed in fiscal year 1987.

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